

Message Text

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ACTION EUR-12

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SUBJECT: BUSINESS REACTION TO FEDERAL BUDGET

REF: TORONTO 782

THREE BUSINESS MEDIA REACTIONS TO THE FEDERAL BUDGET HAVE
COME TO THE CONSULATE GENERAL'S ATTENTION:

1. MOSS, LAWSON AND CO. LIMITED, IN ITS "MARKET NOTES" OF
APRIL 16 CALLED THE MARCH 31 FEDERAL BUDGET A "DELICATE STIMULUS
TO THE ECONOMY" WITH "MARGINAL INCENTIVES" TO CORRECT SLUGGISH
INVESTMENT AND THE BASIC TRADE IMBALANCE."THE CONFRONTATION
BETWEEN THE NEEDS OF THE BUSINESS CYCLE AND POLICY HAS SHARPENED."
THE BROKERAGE HOUSE STATED THAT "THE RELIEF GIVEN TO THE BUSINESS
SECTOR IS UNLIKELY TO NOURISH CAPITAL INVESTMENT" AND "THE THRUST
OF FISCAL POLICY WILL BE NEUTRAL THIS YEAR ON BUSINESS INVESTMENT."
THE FIRM SEES VERY IMPORTANT POTENTIAL RPT POTENTIAL BENEFITS FOR
SENIOR PRODUCERS AND INTEGRATED OIL COMPANIES IN THE ACCELERATED
EARNED DEPLETION ALLOWANCES FOR "FRONTIER" EXPLORATION ONCE
POLITICAL UNCERTAINTIES ARE SETTLED, E.G. PIPELINE DEBATE,
NEW LAND REGULATIONS, ETC.

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2. DOMINION SECURITIES' "MONEY MARKET REVIEW" OF APRIL 1
STATED THAT "WHILE THE BUDGET WAS NOT AS STIMULATING AS MANY
APPEAR TO THINK IT OUGHT TO HAVE BEEN, IN OUR OPINION IT
MOVES TOWARDS THE FULFILLMENT OF ITS OBJECTIVES IN
A RESPONSIBLE AND POSITIVE WAY." THE NEWSLETTER NOTED THAT
DEBT MARKETS HAD REACTED "QUIETLY AND FAIRLY POSITIVELY" TO THE
BUDGET

AND THAT THE FINANCING OF THE DOLS 6.4 BILLION CASH REQUIREMENT
"SHOULD NOT REACTE MAJOR PROBLEMS FOR THE FINANCIAL SYSTEM."

3. THE APRIL 7 "NORTHERN MINER", THE NATIONAL MINING WEEKLY, IN
A LEAD EDITORIAL HEADED "THE MACDONALD BUDGET IGNORES MINING'S
PROBLEMS' HELD THAT "INSTEAD....OF REMOVING THE MANY OBSTACLES
FROM THE WAY OF ENTREPRENEURS....OF RELIEVING THE MINING INDUSTRY
OF ITS INFAMOUS DOUBLE TAXATION....THE GOVERNMENT MERELY THREW
IT A FEW FINANCIAL BONES" AND GAVE A FEW MINOR INCENTIVES.
THE EDITORIAL CITED MINING INDUSTRY BELIEF THAT THE LONG TERM
ADVANTAGES OF THE CONTROLS SYSTEM "MAY DIMINISH, OR NEVER
MATERIALIZE, IF THE PRESENT INVESTMENT CLIMATE IS NOT IMPROVED."
DIGGINS

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